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SECURITY INFORMATION

9 November 1951

CIA No. 49420

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**DAILY DIGEST**

Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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State Dept. review completed

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SECTION 1 (SOVIET)

1. BULGARIA. Power and fertilizer plants completed: Ceremonies marking the completion of the Stalin nitrate-fertilizers plant and the Chervenkov (Maritsa III) thermoelectric plant were held in Dimitrevgrad on 5 November. Premier Chervenkov, Soviet Ambassador Budrov, and Minister of Heavy Industry Yugov were among those who spoke at the inauguration. Great stress was laid upon the role played by "thousands" of Soviet specialists in making possible the successful completion of the plants fully two years ahead of schedule. (R Sofia FBID, 6 Nov 51)

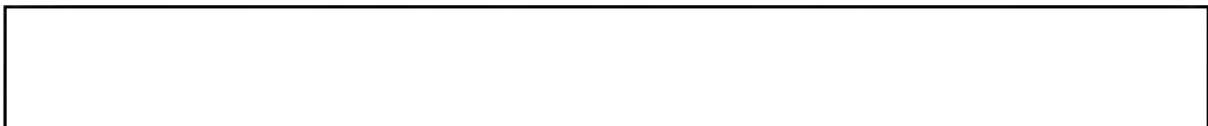
Comment: The Chervenkov thermoelectric plant is expected to supply power to a considerable area of southeastern and central Bulgaria as well as to various industrial activities located at Dimitrovgrad. The Stalin plant will provide nitric acid for the production of ammonium and calcium nitrate fertilizers. Nitric acid and ammonium nitrate are used in the manufacture of amatol and TNT explosives.

Although Bulgaria greatly needs power and fertilizers, it would appear that the sudden rush to complete the Chervenkov and Stalin projects in 1951 was based as much upon propaganda considerations as upon actual economic need. Publicity given to the "labor heroism and unheard of speed" manifested at Dimitrovgrad has served effectively to overshadow the failures of Bulgarian industry in other sectors of the economy.

2. POLAND. Poles believed to have copy of International Export Controls List: During the current Polish-Swedish trade negotiations, the Polish negotiators have made constant references to "list I" and "prohibited items." A high Swedish official told a member of the US Embassy in Stockholm he understood the Poles had been given or shown a copy of the International Export Control Lists by West German export control authorities. (S Stockholm 603, 6 Nov 51; 616, 7 Nov 51)

Comment: Considering the terminology used by the Polish negotiators, there can be little doubt that they are familiar with the International Export Control Lists. This familiarity enables the Poles to know exactly upon which strategic items to apply pressure when negotiating with the West.

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4. RUMANIA. Economic plan fulfilled in third quarter: The Rumanian Government has announced that the over-all industrial production goals for the third quarter of 1951 were fulfilled by 101.5 percent. Only three major production categories (building construction, food, and timber, paper, and cellulose) failed to reach their targets. All others overexceeded their goals, including coal and petroleum (102.9 percent), electric power (105.1 percent), and transport (118.7 percent). Press comment particularly lauded the joint Soviet-Rumanian companies for major triumphs. (R Bucharest 201, 3 Nov 51; FBID 31 Oct, 7 Nov 51)

Comment: Rumania is the only Eastern European Satellite to claim over-all industrial fulfillment of its economic plan.

5. YUGOSLAVIA. US agrees to sign arms agreement with Yugoslavia: In light of recent Yugoslav concessions regarding the size and duties of the US arms aid group, the Departments of State and Defense have agreed to conclude the bilateral arms aid agreement with Yugoslavia. Embassy Belgrade has been authorized to prepare the final text for signature following Ambassador Allen's return from Paris on November 12. (S to Belgrade 499, 7 Nov 51)

Comment: The Yugoslavs have agreed to accept an initial US arms aid staff of thirty and pledged assurance that the supervision of the use of the material will be carried out in a cooperative manner. General Harmony, who will head the US military group, will work out the detailed implementation of the agreement upon his arrival in Belgrade near the end of the month.

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SECTION 2 (EASTERN)

1. INDIA. Indian Foreign Secretary's statement on Communist China: In a recent address before the new American, French, and Belgian Ambassadors to India, Foreign Secretary K.P.S. Menon made the statement that "India has gained nothing in a material sense and perhaps has lost something by recognizing (Communist) China. Similarly, the United States has gained little in a material sense and perhaps has lost little by refusing to recognize China." (U New Delhi 1626, 6 Nov 51)

Comment: This is a most unusual statement for a prominent Indian official to make before diplomats almost certain to report it to their respective governments. Though it probably does not reflect any change of attitude on the part of Prime Minister Nehru, who is also Minister of External Affairs, it may indicate that certain segments of Indian officialdom now have some doubts as to the wisdom of India's precipitate recognition of the Chinese Communist regime.

2. Three oil refineries to be established: Three oil refineries may be operating in India within the next two or three years, according to Indian press reports. Negotiations are said to be in an advanced stage between the Indian Government and the Standard Vacuum, Caltex, and Burmah Oil Companies, the first two of which are prepared to invest 30 million dollars each and the last 10 to 20 million pounds sterling. The closure of the Abadan refinery and the uncertainty as to its future are said to have stimulated these negotiations. (U New Delhi 1624, 6 Nov 51)

Comment: India, though sympathetic to Iranian aims, is nevertheless concerned over the safety of its oil supplies. The degree of its concern is evident in a report that the foreign oil companies will be allowed to control, manage and operate the refineries, an arrangement contrary to India's basic policy of eventual control or nationalization of all key industries.

3. BURMA. De Lattre and MacDonald alarmed over Burmese situation: General de Lattre told the US Consul in Hanoi that he is seriously worried over the menace to Burma. He believed that Burma is threatened more by internal pressures than by a Chinese Communist invasion. He partially blamed Nehru's "antics" toward the West for Burma's weakness and criticized Britain's negative attitude toward both Nehru and Burma.

Meanwhile, the British Commissioner General for Southeast Asia, Malcolm MacDonald, in reviewing the politico-military situation in the Far East for a group of US Congressmen visiting Singapore, stated that

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Burma is the weakest spot in Southeast Asia and that the government needs outside aid to prevent collapse as a result of undermining tactics by the Communists. (S Hanoi 307, 7 Nov; C Singapore 537, 6 Nov 51)

Comment: De Lattre and MacDonald are now meeting in Indochina to discuss the problem posed by Burma.

4. THAILAND. Phao attempting to win royal support: Police Director General Phao Sriyano is reported [ ] to be making a determined effort to win royal support against his political rival General Sarit, Assistant Commander in Chief of the Army. [ ]

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Comment: A number of recent reports indicate that Premier Phibun is backing Sarit in an effort to reduce Phao's political and military influence. The King, except for a short visit for his coronation, has been away from Thailand continuously for several years and is unlikely to wield any great influence in Thai politics in the immediate future.

5. INDOCHINA. De Lattre says price of French effort in Indochina is greater contribution by Vietnamese: General de Lattre told US Consul Blancke in Hanoi that Tran Van Huu would be retained as Premier for the time being at least, but that unless Vietnam can produce a proper budget it was not impossible that the French Government might be disposed to pull French troops out of Indochina over De Lattre's own objection. The general declared that Vietnam could no longer remain a critical spectator but must measure up to its responsibilities both financially and in manpower for self-defense. (S Hanoi 307, 7 Nov 51)

Comment: Vietnam is now committed to devote between 40 and 55 percent of its meager budgetary receipts to defense costs. Any further paring down of the minimum social and economic programs of the Vietnam Government would detract from what little popularity it now enjoys. As for manpower, there are now some 200,000 Vietnamese among the anti-Communist forces in Indochina as compared with some 60,000 Frenchmen.

6. Vietnamese Premier praised for resisting "French meddling": An editorial in the 3 November issue of one of the major Vietnamese-language newspapers of Saigon urges the presence of Premier Tran Van Huu at the forthcoming French Union conference in Paris on the ground that Huu "has many times prevented backward Frenchmen from meddling in our internal affairs." (C Saigon 974, 6 Nov 51)

Comment: This newspaper, which is subsidized by Huu, has followed the French-Vietnamese amity line during all of 1951. The shift in

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editorial policy reflects Huu's effort to strengthen his now very feeble popular following in order to arm himself politically against the growing enmity of General de Lattre. Huu has generally been considered pro-French, although he is capable of opportunistic criticism of the French authorities.

7. SOUTHEAST ASIA/CHINA. US Congressmen briefed on the Far East: The British Commissioner General for Southeast Asia, Malcolm MacDonald, in reviewing the politico-military situation in the Far East for a group of US Representatives visiting Singapore, stated that although Indochina was the "easiest highway" by which the Chinese could conquer Southeast Asia, De Lattre had effectively barred this road. MacDonald believed, therefore, that Burma was the weakest spot in the area.

Touching on Malaya, he said the "emergency" would probably endure for "a very, very long time," but that even if Burma, Indochina and Thailand fell to the Communists, Malaya would definitely hold out.

With respect to Communist China, MacDonald stated that the Peiping regime is "obviously" in firm control of the country and is less corrupt and more efficient than its Nationalist predecessor, but that Peiping's program of terrorism has resulted in a "great swing away" from popular support of the regime. Speaking off the record, MacDonald stated that

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Speaking generally, MacDonald said that political freedom in Southeast Asia inevitably meant administrative inefficiency and corruption which provided fertile ground for Communist exploitation. He felt that the West should take this fact into consideration in formulating policy toward the peoples of the area. (C Singapore 537, 6 Nov 51)

Comment: MacDonald is widely regarded as a brilliant analyst of Southeast Asian problems. Most observers are in general agreement with his major points on Southeast Asia and Communist and Nationalist China.

8. CHINA. "Counter-revolutionaries" are predominantly males over 30: Tabulation of a list of 741 "counter-revolutionaries" sentenced to death or imprisonment in a Chinese city last July reveals the names of only two women and discloses that the great majority of the men were over 30. (C FDD U-1521, 24 Oct 51)

Comment: This general breakdown for all areas has been assumed but not previously proved. Men under 30 and women of all ages have had

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relatively little opportunity to sin, as defined by the Communists, and Peiping is far more concerned with gaining the support of youth than of the comparatively unmalleable adult population.

9. Dalai Lama pays tribute to Chinese forces occupying Tibet: On 5 November a representative of the Dalai Lama of Tibet formally greeted General Chang Ching-wu, top Chinese Communist official in Lhasa, and two officers commanding the Chinese occupation forces, and presented to them on behalf of the Dalai Lama 100 sacks of rice and 10,000 taels of Tibetan silver as a groceries fund for the Chinese troops. The presentation message from the Dalai Lama acclaimed the arrival of the Chinese troops and stated "I am happy because they have come here to consolidate national defense and create happiness and prosperity for the Buddhist people of Tibet." (U FBID Peiping, 8 Nov 51)

Comment: Now that Lhasa is securely occupied by Chinese Communist troops and the Tibetan regime has publicly endorsed the Sino-Tibetan agreement of May 1951, the Dalai Lama will be exploited for his propaganda value.

10. Li Tsung-jen attempts revival of his third force movement: Li Tsung-jen, a leader of one of the third force movements and Vice President of the Chinese Nationalist Government, now living in New York, is attempting to launch a comeback into Nationalist politics. One source reports that Li has been attempting to rally support among former Chinese leaders now living as political refugees in the US, while another reveals that he has been in contact with a Japanese Liberal Party Leader. [REDACTED]

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Comment: Other sources have reported that after the entry of the US into the Korean war, anti-Chiang and anti-Communist elements were convinced that the time was propitious for a revival of the third force. These elements allegedly felt that the US was now committed to military action against the Communists while at the same time being anti-Chiang.

Li Tsung-jen's retiring to the US after the collapse of the Nationalist Government on the mainland has reportedly lost him the respect of a great number of anti-Communist Chinese who do not support Chiang Kai-shek.

11. KOREA. South Korean delegation to seek ROK admission to the UN: Ambassador Muccio reports the departure from Pusan on 6 November of a ROK delegation of observers to the General Assembly in Paris. The delegation is headed by Prime Minister Chang, who announced that at the Assembly session the group will seek to secure the unification of Korea, UN assistance for Korea's economic rehabilitation and ROK admission to the UN.

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President Rhee said that another objective is the "rapid liquidation of the Korean Government's loan to the UN Forces." Rhee further instructed the observers to give "strong warning" against any future Japanese ambitions towards Korea. (U Pusan 409, 6 Nov 51)

Comment: ROK motives in sending such ranking figures to the General Assembly in the capacity of mere observers are not clear in view of Korea's internal situation, Soviet objections to ROK admission to the UN and the lukewarm attitude of several Western nations towards the inclusion of the South Koreans. The ROK Government has always displayed great respect for the UN, and the make-up of the delegation may be designed to make an impression.

The announced objectives of Rhee and the Premier are largely for domestic consumption. However, the inclusion of a "warning" on Japanese intentions, at a time when rather delicate negotiations are in progress between the Japanese and South Koreans, is a typical display of the ROK's lack of diplomatic savoir-faire.

12. Possible indicator of deteriorating police system noted in North Korea: Radio Pyongyang on 7 November broadcast an ordinance of the Praesidium of the Supreme People's Assembly which makes the assignment, sale or wearing of the regime's decorations and medals by unqualified persons a criminal offense, punishable by two or three years at hard labor. (R FBID Ticker, 8 Nov 51)

Comment: The necessity for Radio Pyongyang to broadcast instructions of so picayune a nature and the rash of "unlawful" dealings in medals are possible indicators of the breakdown of police communications and controls.

13. North Korean Vice Minister died in action: Radio Pyongyang on 7 November broadcast the speech of Vice Premier Pak Hun-yung at a memorial service for Pak Tong-cho. Pak Tong-cho became vice minister of Foreign Affairs when the Government of the Democratic People's Republic of Korea was formed on 9 September 1948. No details were given of the death of Pak, a man of about 38, other than the statement that he "died in action." (R FBID Ticker, 8 Nov 51)

Comment: Pak is the second North Korean Government official of cabinet or vice-cabinet rank who has reportedly died in action during the course of the war.

14. JAPAN. Japanese Government planning to double strength of National Police Reserve Force. On 8 November the chief of the National Police Reserve told

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the press that his government is working on a plan whereby the strength of this force will be doubled--to approximately 150,000 men--"after the peace treaty comes into force." He stated further that training of this force will "then be according to the traditional Japanese training methods, although some American officers will be retained as advisers." (R FBID Ticker, 9 Nov 51)

Comment: Although the Japanese Government has indicated its intention to strengthen its internal security force, this is the first time that the contemplated size has been disclosed. It is presumed that many of the recently depurged former Japanese military officers will assume staff and command functions. There has been some criticism among former military officers of the current American-style training and the lack of military background of the present Police Force leaders.

15. Japanese Government gives up plan to decontrol rice: The Japanese Government's plan to decontrol rice on 1 April 1952 has been abolished, according to a Japanese "official statement" of 6 November. This announcement followed a series of conferences between Japanese cabinet officials and Joseph M. Dodge, SCAP financial adviser. (U FBID, 7 Nov 51)

Comment: Despite the social consequences which would result from removal of rice from ration and price control while it is still in short supply, the government has been determined to decontrol rice in keeping with the Liberal Party's philosophy of a free economy. Minister Dodge, upon his arrival in Japan last month, sharply criticized this planned action, as well as the government's plan to reduce taxes, because of inflationary effects.

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### SECTION 3 (WESTERN)

1. GERMANY-AUSTRIA. Control regulations hamper Austro-German trade relations: A German businessman having close contact with German trade officials has recently reported that the German Government is rapidly losing interest in the development of trade relations with Austria. This decline in interest is allegedly attributable in part to the fact that German export quotas envisaged under the current trade agreement are in some cases already exhausted by old orders which have not yet been filled.

A far more serious complication arises out of German fears that a large proportion of goods exported to Austria are disappearing into undesirable channels. In an effort to control this diversion, the German Export Committee issued a circular last August providing that future applications for exports to Austria would be accepted and processed only after Austrian authorities had allotted an import license number confirming that the goods involved would remain in Austria. Since receipt of the Austrian license is frequently delayed for periods up to three months, German exporters are unwilling to hold their goods for Austrian shipments that are not guaranteed of ultimate authorization.

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Comment: Inasmuch as West Germany is Austria's best customer, obstacles to the development of Austro-German trade are a serious matter for the Austrian Republic. Austrian exports to Germany were severely curtailed earlier this year by German import restrictions, and did not recover until mid-year.

It is well-known that Austria has a special problem in controlling the diversion of imports to Satellite or Soviet users. A complicated system of Austrian and Allied controls in Vienna is believed to have been of some effectiveness in restricting illegal diversion of Austrian imports into East-West trade channels.

The Austrian Government is endeavoring to devise a simplification of its present highly political import-export licensing system.

2. FRANCE. French attempt to stop attacks on US in Morocco: The US Embassy in Paris has found the French Foreign Office "highly embarrassed" by recent anti-American outbursts of the Resident General in Morocco. He has been instructed to cease making exaggerated statements unfriendly to United States representatives and to keep the Moroccan press in line. (C Paris 2698, 7 Nov 51)

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Comment: The French-language press in Morocco has been conducting an intensive campaign to discredit American diplomatic representatives there. Remarks critical of their conduct, made by the Resident General at a private gathering, have received wide circulation, as have his threats to ask for the recall of the American Consul at Rabat. In line with the Foreign Office's directive, the attacks against the US can be expected to decrease.

3. French import policy change may weaken the European Payments Union:

The French representative on the managing board of the European Payments Union fears "regrettable effects" on the Payments Union as a result of the uncertainty over the French dollar position, which may force drastic cuts in France's dollar import program. While the French Payments Union position is difficult, the representative believes that recent unusually large monthly deficits are due not only to the increased import program, but also to speculation which has exaggerated inflationary tendencies. (S Paris REPTO 5545, 5 Nov 51)

Comment: A drastic curtailment of French dollar imports would undoubtedly lead to a large increase in imports from other areas, including EPU countries, and hence to a worsening French position within the Union.

A steady deterioration in that position since last spring, a widening dollar import-export gap, and the increasing threat to the stability of the franc are now leading the French Government to question the practicability of the import program it has been promoting in an effort to halt inflation.

4. NETHERLANDS. Dutch lack of equipment may delay fulfillment of armed forces commitment:

The Dutch Government has expressed concern that it may not be able to deliver the two divisions and corps troops promised for the SHAPE maneuvers in September 1952. Because of the delays in the receipt of US military equipment, the Dutch Defense Ministry will apparently have to either get higher delivery rates or else slow down the conscription program. The government, feeling that the September deadline is the "moment of greatest danger," is adamant in demanding that any Dutch force which participates in the maneuvers be fully equipped for combat. (S The Hague 437, 3 Nov 51)

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Comment: Since spring, Dutch military leaders have stated that failure to receive US military equipment on schedule could lead to a temporary set-back in the Dutch defense effort.

Insistence on fully equipped troops actually under arms represents a departure in Dutch policy from military preparedness on a readily mobilizable basis. Such a change in policy was recommended by SHAPE and was probably taken to improve the serious morale problem of the armed forces.

5. ITALY. Italians want to retain command of Southern European Land Forces: General Marras, Italian Chief of Staff for Defense, is concerned with the "command implications" of the admission of Greece into the Atlantic Pact and the nomination of a French general as assistant to Admiral Carney, Commander in Chief of Allied Forces in Southern Europe. Marras and Defense Minister Pacciardi are in agreement that the present Italian command of the Southern Land Forces must be maintained regardless of the possible geographical expansion of this command.

25X1A The Italian objections to the French general are based on the fact that he is to be promoted shortly to a rank superior to that of any Italian officer now on Carney's staff. [REDACTED]

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Comment: To date no decision has been made as to which territorial command Greece or Turkey will come under when they are admitted to NATO. Both Greece and Turkey want to come under SHAPE, but neither of them would relish an Italian general as Commander in Chief of the Southern Land Forces.

6. Italians discouraged by British reaction to their Egyptian mediation offer: Foreign Secretary Anthony Eden has told the Italian Ambassador in London that the UK cannot tolerate acceptance of the principle of unilateral abrogation of the Anglo-Egyptian treaty of 1936 and that it is up to the Egyptians to indicate whether they will accept US proposals for a new treaty.

25X1A Eden's statement, following closely upon a similar statement of the British Ambassador to a high Foreign Office official in Rome, has had a great effect on the Italian Foreign Office. It is believed

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to be further transmitted within the United States, nor beyond the borders of the United States, without the express permission of the releasing office.)

Comment: Eden's statement represents established UK policy in the Egyptian dispute.

Since this dispute may be considered at the current session of the General Assembly, it seems probable that the Italians will desist from further mediation offers for the time being.

7. SPAIN. French deny alleged approach to Spanish General Staff: A French Army General Staff officer has denied, to the US Embassy in Paris, a Madrid report that the French General Staff had invited the Spanish High General Staff to discuss the possibility of Spain's entrance into NATO. The Spanish Military Attache in Paris has expressed disbelief of the report.

The Embassy comments that there has been and may still be some entirely unofficial communication between the two general staffs, in which the question of Spanish admission to NATO may have arisen. It doubts, however, that any invitation for staff talks was issued as such action would be tantamount to open defiance of official French Government policy and would scarcely be risked by the French General Staff which has shied away from politics since the Revers scandal. (S Paris 2588, 1 Nov 51)

Comment: Despite recent signs which Spanish officials have interpreted as evidence of a softening attitude, the French Government is not likely to alter drastically its policy toward Spain. While Franco desires a rapprochement between Spain and France and Britain for reasons of prestige, he is believed to prefer a bilateral military arrangement with the US to membership in NATO.

8. Franco replies to Don Juan's letter: The Spanish Pretender has told an official of the US Embassy in Lisbon that, about 3 October, he received a long reply to his letter of 10 July to Franco. The opposition Comite de Coordinacion has also informed the US Embassy in Madrid of Franco's reply. (S Madrid Joint Weeka No. 42, 26 Oct 51)

Comment: Available information on the contents of Franco's letter is scanty and inconclusive. Apparently Franco is still interested in reaching an understanding with Don Juan. Presumably,

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he still hopes that he can induce Don Juan to renounce his rights to the throne, and that he will then be able to establish himself as regent for the Pretender's minor son, Juan Carlos. There is no indication that Don Juan would accept these terms.

- 25X1C 9. UNITED KINGDOM. Churchill reportedly sends message to Shvernik:  
Winston Churchill has sent a special message to Nikolai Shvernik, Chairman of the Presidium of the Supreme Soviet, according to a [redacted] When Sir Alvary Gascoigne, the new British Ambassador to Moscow, presented his credentials on 2 November he insisted on a personal conversation with Shvernik so that he could deliver the message. [redacted]  
25X1A [redacted] (For critical security reasons this report is not to be further transmitted within the United States or beyond the borders of the United States without the express permission of the releasing office.)

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Comment: Although the subject of the reported message is not known, Churchill has repeatedly advocated talks "on the highest level" in an endeavor to lessen East-West tensions. There is no other available information suggesting that he has directly proposed such talks to the Soviet Union.

10. SWEDEN. Spy trial discredits Communists: The disclosure that a fanatic "ultra-Red" Swedish noncommissioned naval officer has transmitted vital security information (see OCI Daily Digest, 1 Nov 51) to Soviet Embassy personnel has aroused bitter indignation against the Swedish Communist Party. This indignation is especially marked in labor circles, whose earlier objections to "discrimination" against Communists employed in sensitive jobs now appears to be rapidly dwindling in the realization of the need for drastic action against bad security risks. (R Stockholm 611, 7 Nov 51)

Comment: Labor has previously recognized the general need for security measures but has held that to consider membership in the Communist Party as an indication of unreliability is pushing one's zeal for security too far. In July, for example, the Swedish trade union of defense workers protested against the Defense Minister's ordering the dismissal of a Communist sympathizer from his position in a torpedo plant (see OCI Daily Digest, 10 July 51). The sensational espionage trial may well dispel labor's excessive concern for civil rights and will hasten the adoption of stringent security regulations.

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SECTION 1 (SOVIET)

1. USSR. USSR protests border violation by US plane in Far East: Deputy Foreign Minister Gromyko on 7 November protested to the US Charge in Moscow concerning an alleged air violation of the USSR's border by a US plane in the area of Cape Ostrovnyaya east of Vladivostok. The US Charge maintained that inasmuch as all US planes in the area were under the United Nations Command, he could not accept the note as a protest but only as a statement of fact for information of the US Government. (C S/S Moscow 801, 7 Nov 51)

Comment: The Soviet note gave the violation generally the same treatment as the April 1950 Baltic plane incident, particularly in stating that "the Soviet airplanes were forced to open return fire, after which the American airplane went off in the direction of the sea and disappeared."

2. TRIESTE. US Department of State favors non-interference in impending Italo-Yugoslav negotiations on Trieste: The Department of State believes that at the present time the US and Britain should avoid involvement in any Italo-Yugoslav negotiations concerning Trieste. It considers that the US should allow time for the Italians and Yugoslavs to begin direct negotiations before undertaking any further action, assuming that the two governments will not hesitate to invite third party assistance should the need arise.

In addition, the British Foreign Office has been informed by the Italians that the Italian Foreign Office told the Yugoslav Minister in Rome that Italy was prepared to enter into direct negotiations. (S S/S to London 2390, 5 Nov 51; to Paris 2737, 6 Nov 51)

SECTION 2 (EASTERN)

3. CHINA/JAPAN. Japanese Overseas Agency to open in Formosa: The Japanese Overseas Agency in Taipei is expected to open with the arrival, in late November, of the chief, Kimura Shiroshichi. (C S/S Taipei 594, 7 Nov 51)

Comment: Plans for the establishment of this agency, to be concerned primarily with matters of trade, were under way prior to the peace treaty conference; the Japanese Government, however, deliberately delayed opening the agency until the treaty was signed for fear of jeopardizing acceptance of the treaty by countries recognizing Communist China.

Premier Yoshida has repeatedly stated that the establishment of the agency has no political implications. In an attempt to emphasize this, Yoshida asserted that Japan would be equally willing to establish such an

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agency in Shanghai: he intimated, however, that he would reject a reciprocal opening of any similar agency in Japan by the Chinese Communists.

4. JAPAN/PHILIPPINES. Philippine official takes realistic stand on Japanese reparations problem: Ambassador Elizalde, Philippine diplomat who has been in Tokyo investigating Japan's capacity to pay reparations to the Philippines, has concluded that his country's demands for reparations are fantastic, and that Japan can hardly stand one-tenth of what the Filipinos expect. In a conversation with the US Political Adviser in Tokyo, Elizalde also indicated that he would advise President Quirino to send a mission to Japan in January to conclude a reparations agreement covering only 3 to 4 years, after which the problem should be considered closed. He intends to propose, as a first step to demonstrate good faith, that Japan undertake to salvage ships sunk in Manila Bay. Elizalde also expressed the opinion that trade promoted by a commercial treaty would be of more mutual benefit than reparations over a long period. (C S/S Tokyo 943, 7 Nov 51)

Comment: Unofficial reparations claims advanced by the Philippines during the peace treaty negotiations amounted to 8 billion dollars, a sum approximately five times Japan's annual national budget. Elizalde's objective view of the problem gives some hope that satisfactory arrangements can be worked out when the subject can, to a degree, be removed from Philippine politics after the elections this month.

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